

Exhibit 2



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

September 17, 2004

Mr. Beverly Armstrong
Vice President F&A
Pathfinder International
Nine Galen St., Suite 217
Watertown, MA 02472
U.S.A.

**DUPLICATE
ORIGINAL**

REF: Cooperative Agreement No. 527-A-00-04-00109-00
Improving Health for Peruvians

Dear Mr. Armstrong:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the U.S. Agency for International Development (USAID) hereby awards to Pathfinder International (hereinafter referred to as the "Recipient"), the sum of \$5,282,000.00 to provide support for a program in entitled "Improving Health for Peruvians" as described in the Schedule of this award and in Attachment 2, entitled "Program Description."

This award is effective and obligation is made as of the date of this letter and shall apply to expenditures made by the Recipient in furtherance of program objectives during the period beginning October 01, 2004 and ending September 30, 2007. USAID will not be liable for reimbursing the Recipient for any costs in excess of the obligated amount.

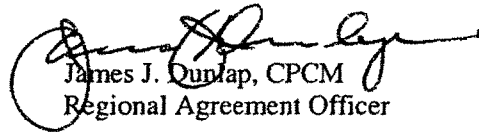
This award is made to the Recipient on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1 (the Schedule), Attachment 2 (the Program Description), and Attachment 3 (the Standard Provisions), all of which have been agreed to by your organization.

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Please sign the original and all enclosed copies of this letter to acknowledge your receipt of the award, and return the original and all but one copy to the undersigned.

Sincerely yours,


James J. Dunlap, CPCM
Regional Agreement Officer

Attachments:

- A. Schedule
- B. Program Description
- C. Standard Provisions

ACKNOWLEDGED: PATHFINDER INTERNATIONAL

BY: Beverly Morris Armstrong
TITLE: VP, Finance & Administration
DATE: 27 Sept 2004

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SCHEDULE**A.1 PURPOSE OF AGREEMENT**

The purpose of this Agreement is to provide support for the program described in Attachment 2 to this Agreement entitled "Program Description."

A.2 PERIOD OF AGREEMENT

1. The effective date of this Agreement is October 1, 2004. The estimated completion date of this Agreement is September 30, 2007.

2. Funds obligated hereunder are available for program expenditures for the estimated period October 01, 2004 to September 30, 2005.

A.3 AMOUNT OF AWARD AND PAYMENT

1. The total estimated amount of this Award for the period shown in A.2.1 above is \$9,500,000.00.

2. USAID hereby obligates the amount of \$5,282,000.00 for program expenditures during the period set forth in A.2.2 above and as shown in the Budget below. The recipient will be given written notice by the Agreement Officer if additional funds will be added. USAID is not obligated to reimburse the recipient for the expenditure of amounts in excess of the total obligated amount.

3. Payment shall be made to the Recipient by Letter of Credit in accordance with procedures set forth in 22 CFR 226.

4. Additional funds up to the total amount of the grant shown in A.3.1 above may be obligated by USAID subject to the availability of funds, satisfactory progress of the project, and continued relevance to USAID programs.

A.4 BUDGET

The following is the Agreement Budget, including local cost financing items, if authorized. Revisions to this budget shall be made in accordance with 22 CFR 226.

	USAID	COST SHARE	TOTAL PROGRAM FUNDS
A. Establish Normative Mechanisms	\$ 1,807,476	180,748	1,988,223
B. Upgrade Health Services in USAID Priority Regions	2,810,722	281,072	3,091,794
C. Support Contraceptive Security	1,134,919	113,492	1,248,411
D. Develop Communication & Education for Health and Behavior Change	<u>3,746,883</u>	<u>374,688</u>	<u>4,121,572</u>
Total	\$9,500,000	\$950,000	\$10,450,000

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Type of Rate: Provisional
Period: 07-01-03 until amended.

A.7 TITLE TO PROPERTY

Property Title will be vested with the Recipient.

A.8 AUTHORIZED GEOGRAPHIC CODE

The authorized geographic code for procurement of goods and services under this award is 000.

A.9 COST SHARING

The Recipient agrees to expend an amount not less than \$950,000 (9%) of the total activity costs (\$10,450,000).

A.10 SUBSTANTIAL INVOLVEMENT

It is understood and agreed that USAID will be substantially involved during the performance of the program covered by this Award. The substantial involvement of USAID will be in the following areas:

- A. Approval of the recipient's annual work plan:** The Recipient shall prepare and submit annual work plans to USAID for approval.
- B. Approval of specified Key Personnel:** USAID will approve the personnel filling those positions considered to be essential to the successful implementation of the award. The key personnel positions to be approved are:
 - Project Director
 - Medical Director
 - Finance and Administrator Director
- C. Approval of Monitoring and Evaluation Plan.** USAID will review and approve the Recipient's monitoring and evaluation plans. An adequate monitoring and evaluation plan is critical for the successful tracking of program progress and achievement of results.

A.11 SPECIAL PROVISIONS- Integrated Development Coordination Clause

USAID has awarded a contract to Chemonics International Inc. (CI) to serve as an institutional contractor to implement pilot activities in support of voluntary eradication efforts and to serve as an umbrella coordinator for the overall USAID/Peru alternative development program. The purpose of this umbrella coordination role is to ensure that, to the greatest extent possible, all alternative development (AD) activities are implemented in conformance with USAID/Peru's and the Government of Peru's AD strategy, promoting synergies while minimizing duplication, and together helping to achieve the targets, goals and anticipated results of the AD Program. As part of this role, Chemonics will provide strategic support in effective and strategic communications, operational research, monitoring and evaluation. To this purpose, Chemonics will collect

PROGRAM DESCRIPTION

IMPROVING HEALTH FOR PERUVIANS

I. EXECUTIVE SUMMARY

Pathfinder International is pleased to offer this response to USAID/Peru's request for applications. Under this three-year proposal, Pathfinder seeks to continue its activities to improve the quality of health services, support health sector reforms, and promote healthy behaviors by individuals and communities throughout Peru. In line with USAID/Peru's Strategic Objective (SO) 11: "Improved Health for Peruvians At-Risk," Pathfinder aims to: 1) establish professional accreditation, re-certification and licensing programs for health professionals; 2) upgrade health services in seven USAID priority regions; 3) diversify and expand contraceptive security; and 4) support health communication, education and behavior change activities in Peru's coca growing areas.

Accreditation and Recertification of Health Professionals

In order to institutionalize and scale-up its continuous quality improvement (CQI) strategies, Pathfinder International proposes to continue working to institutionalize national systems for the accreditation and recertification of health professionals. Pathfinder's approach to improving quality of care on a national level is three-pronged, beginning with: 1) the accreditation of institutions such as schools and universities that train doctors, nurses, and midwives and the health services that employ them; 2) recertification of these professionals on a regular basis, in order to ensure that the knowledge and skills are maintained throughout their careers; and 3) strengthening the regulatory institutions, such as the Commission for the Accreditation of Medical Schools and Faculties (CAFME) and the National Institute for the Accreditation of Superior Education. By implementing normative systems and establishing mechanisms to guarantee their efficacy, Pathfinder and its local implementing partners will steadily improve the quality of healthcare for all Peruvians.

Upgrade Health Services in USAID's Seven Priority Regions

Pathfinder will contribute to USAID's integrated approach to development in the seven priority regions by improving healthcare service delivery for these vulnerable populations. Pathfinder will not only create seven Centers for Developing Competency (CDCs-Salud) and Regional Training Systems (SISCARS), but it will also expand emergency obstetric and neonatal care services in these regions. Pathfinder aims to further support the Local Community Health Management System (CLAS), implement CQI strategies, and strengthen the capacity of the regional quality teams in order to enhance the quality of health services in these priority regions.

Support Contraceptive Security

Nationwide, Pathfinder will work closely with stakeholders through a subgrant with APROPO to strengthen the development of a secondary distribution system for contraceptives. Pathfinder will also work closely with INPPARES to scale up the REDPLAN-Salud network as an alternative means to MINSA family planning services. Additionally, Pathfinder will continue pursuing new avenues for corporate and private sector involvement in health services for their own employees and for the communities these corporations serve.

Develop Communication and Education for Health Promotion and Behavior Change

In order to promote health education, communication and behavior change, Pathfinder will develop strategies and activities to support healthy behaviors in Peru's coca growing communities. Pathfinder seeks to directly strengthen the capability of the MOH, Peruvian universities, and local media outlets to support health communication and behavior change. In addition, Pathfinder will design and implement education/communication strategies to increase knowledge and awareness of reproductive health as well as rights issues, and create greater demand and use of health care services in the intervention areas. Finally, besides facilitating and implementing the Regional Health and Education Strategic Plans, Pathfinder will also continue to implement and expand its "Health-Promoting Schools" and "Healthy Municipalities" programs.

II. BACKGROUND

Enormous strides have been made in overall economic and human development in Peru over the last 30 years. Yet, despite strong economic growth in the late 1990s, over half of the population (52% in 2004) is classified as poor or extremely poor; in isolated and rural areas, the percentage living below the poverty line jumps to roughly two-thirds. As in other poor countries, women living in poverty constitute a disproportionate percentage of the population due to socio-economic and cultural barriers that limit their ability to access education, regulate their fertility, and generate income.

Health resources within the public sector (e.g., facilities and qualified providers) are unevenly distributed, with a heavy concentration in urban areas, especially Metropolitan Lima. Yet the cities cannot adequately meet the needs of residents; urban migration has led to increasingly large, underserved settlements that have cropped up around Lima and nearby towns. As a result, public sector health facilities in overcrowded urban areas in Lima as well as those in isolated impoverished areas often lack necessary staff, equipment, and supplies to adequately serve all clients. The lack of basic health care directly and negatively affects reproductive health services as evidenced by low use of modern contraceptive use and the high rate of unsafe abortion, which is particularly serious for Peru's high-risk populations. While government spending on health and family planning increased during the late 1990s, its decline since 2000 has disproportionately affected the Peru's most vulnerable populations. In some regions, particularly the poorest coca growing regions, the negative health indicators reflect this lack of accessibility to quality services. For more information on USAID's seven priority regions, see Annex 1.

In November 2002, the Peruvian Government made an enormous effort to start decentralizing power and resources. Regional Presidents and governments were elected democratically and there is an orderly plan to transfer both health and educational responsibilities and budgets to the regions. USAID has been supporting many of these decentralization initiatives through its various SOs.

Despite the efforts of the Peruvian Government and the donor community, improving access to quality services in Peru remains a major challenge. Peru has not been able to institutionalize a quality of care framework in health. For instance, in most countries where accreditation